

## Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 SP-02 USIA-06 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

OES-06 INT-05 FEAE-00 ERDA-05 CIAE-00 INR-07 NSAE-00

H-02 ERDE-00 L-03 OPIC-03 IGA-02 /087 W

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P R 061100Z APR 76

FM AMEMBASSY COTONOU

TO SECSTATE WASHDC PRIORITY 8357

INFO AMEMBASSY ABIDJAN

C O N F I D E N T I A L SECTION 1 OF 2 COTONOU 602

EO 11652: GDS

TAGS: EINV, DM, US

SUBJ: INDEMNIFICATION OF TEXACO: NEGOTIATIONS OFF TO GOOD START

REF (A) ABIDJAN 3221, (B) COTONOU 565,

SUMMARY: TEXACO OPENED ITS NEGOTIATIONS APRIL 5 WITH THE GPRB FOR INDEMNIFICATION FOLLOWING NATIONALIZATION OF ITS INTERESTS ON 4 DEC 1974. COMPANY'S INITIAL CLAIM WAS FOR 375 MILLION CFA (APPROX 1.6 MILLION DOLLARS). TEXACO TEAM WAS VERY PLEASED WITH INITIAL ROUND. THEY BELIEVE BENINESE ARE INTERESTED IN ARRIVING AT A JUST SOLUTION QUICKLY. GPRB'S POSITION WAS REASONABLE, AND EVEN WHERE THEY REJECTED CERTAIN PARTS OF TEXACO CLAIM, TEXACO REP ADMITTED PRIVATELY TO EMBASSY THAT GPRB POSITION RE THESE ITEMS WAS LEGITIMATE. TEXACO NEGOTIATORS FLEW BACK TO ABIDJAN MORNING OF 6 APRIL. THEY WILL NOW REFER RESULTS OF THIS ROUNDT TO THEIR US HEADQUARTERS AND SUBMIT NEW FIGURES TO GPRB WITHIN THREE WEEKS. MOBIL NEGOTIATION BEGINS MORNING APRIL 6. END SUMMARY

1. A TWO MAN TEXACO TEAM, HEADED BY RENE THOMAS, MANAGING DIR TEXACO ABIDJAN, ARRIVED IN COTONOU ON APRIL 5 AND HELD THE FIRST ROUND OF NEGOTIATIONS WITH THE GPRB THAT AFTERNOON.

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THOMAS WAS VERY PLEASED WITH THIS FIRST SESSION. HE BELIEVES THE BENINESE HAVE DECIDED TO DO SOMETHING ABOUT THEIR OBLI-

GATION AND DO IT QUICKLY. BABA MOUSSA, THE CHIEF BENIN NEGOTIATOR, TOLD TEXACO REPS KEREKOU ORDERED HIM TO CLEAR UP THE INDEMNIFICATION ISSUE AS QUICKLY AS POSSIBLE. THE ATMOSPHERE OF THE TALKS WAS VERY FRIENDLY. IN FACT ONE OF THE TEXACO NEGOTIATORS COMMENTED THAT HE HAD BEEN INVOLVED IN NEGOTIATIONS IN ZAIRE AND THERE WAS NO COMPARISON BETWEEN THEM. THESE TALKS WERE SO MUCH BETTER HANDLED. THE TEXACO TEAM WAS ALSO VERY IMPRESSED BY DEPTH OF THE GPRB STUDY OF THE TEXACO SUBMISSION. IT HAD BEEN GONE OVER WITH A FINE TOOTH COMB.

2. TEXACO'S INITIAL CLAIM WAS FOR 375 MILLION CFA FRANCS (APPROX 1.6 MILLION US DOLLARS). IN CHECKING THE SUBMISSION THE GPRB COMMISSION HAD DISCOVERED 11 MILLION CFA (\$46,800) IN MATHEMATICAL ERRORS, MISTAKES IN TRANSPOSING NUMBERS FROM INVOICES TO THE CLAIM SHEETS, ETC. AT FIRST GLANCE TEXACO TEAM BELIEVES GPRB TO BE CORRECT. TEXACO HAS BEEN PROVIDED BY GPRB WITH ALL OF THE PERTINENT PAPERS AND WILL DOUBLE CHECK THESE AT THEIR HEADQUARTERS. IF THE GPRB IS RIGHT, THE TEXACO CLAIM IS ALREADY REDUCED TO 364 MILLION CFA.

3. THERE ARE FOUR AREAS OF DIFFERENCE BETWEEN THE TEXACO CLAIM AND WHAT THE GPRB IS WILLING TO ACCEPT. FIRST IS THE MATTER OF STOCKS. WHEN TEXACO SUBMITTED ITS CLAIM, IT REEVALUATED ITS STOCK UPWARD TO THE CURRENT MARKET VALUE. THE GPRB HAS REJECTED THE REEVALUATED FIGURE BUT IS WILLING TO PAY THE ACTUAL COST OF THE STOCKS TO TEXACO AT TIME OF PURCHASE (INVOICES FOR ALL OF THESE PURCHASES ARE CONTAINED IN THE TEXACO SUBMISSION). THOMAS CONSIDERS THIS REASONABLE AS LONG AS OVERHEAD COSTS ARE FIGURED IN. NEVERTHELESS HE EXPECTS TO ADD A SMALL PERCENTAGE INCREASE OVER ACTUAL COSTS IN TEXACO'S NEXT SUBMISSION.

4. AS WITH STOCK, TEXACO HAS REEVALUATED ITS EQUIPMENT AT THE TIME OF NATIONALIZATION. THE GPRB REJECTED THESE VALUES, OFFERING INSTEAD TO PAY BOOK VALUE FOR THE EQUIPMENT. THE GPRB POINTED OUT THAT SOME OF THE EQUIPMENT IS NOT USABLE HAVING BEEN RUSTED OR CANNIBALIZED. THOMAS AGAIN FINDS THE GPRB OFFER ACCEPTABLE.

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5. THE GPRB HAS AGREED TO PAY A REEVALUATED PRICE ON BUILDINGS OWNED OUTRIGHT BY TEXACO (THOSE ONE HUNDRED PERCENT TEXACO OWNED WITH DEFINITE LAND TITLE, NOT ON LEASED LAND. N.B. ACCORDING TO THOMAS THE DIFFERENTIATIONS BETWEEN PROPERTY OWNED OUTRIGHT IS THAT ON LEASED LAND IS AN ACCEPTED PRINCIPLE IN FRENCH BUSINESS LAW.) HERE THE PROBLEM TO BE WORKED OUT IS THE INDEX TO BE USED FOR THE REEVALUATION. TEXACO USED A FRENCH SYSTEM KNOWN AS THE DEMAY-POTTIER INDEX. THE GPRB NEGOTIATORS ARGUED THAT INDEX WAS GOOD IN DETERMINING PROPERTY

VALUES IN FRANCE, BUT IS NOT APPLICABLE TO THE SITUATION IN BENIN. TEXACO HAS BEEN ASKED TO FIND A MORE ACCEPTABLE INDEX.

6. THE GPRB HAS AGREED IN PRINCIPLE TO PAY FOR GOOD WILL, HOWEVER THERE IS A WIDE DIFFERENCE BETWEEN WHAT TEXACO ASKED FOR AND WHAT THE GPRB OFFERED. TEXACO'S GOOD WILL CLAIM WAS FOR 68 MILLION CFA (\$289,360) AND THE GPRB'S OFFER 21 MILLION CFA (\$89,400). THOMAS CONFESSED PRIVATELY THAT TEXACO WOULD BE HARD PRESSED TO PUSH THIS POINT TOO STRONGLY. WHEN TEXACO HAD TO INCORPORATE ITS OPERATION HERE AS A DAHOMEAN COMPANY IN 1973, IT LISTED THE VALUE OF GOOD WILL AS ZERO IN ORDER TO LESSEN ITS LOCAL TAX BURDEN.

7. THE BENINESE NEGOTIATING TEAM WAS MADE UP OF SEVEN CIVIL SERVANTS:

A. ABOU BABA-MOUSSA--DIRGEN OF THE BENIN DEVELOPMENT BANK AND FINANCIAL ADVISOR TO THE PRESIDENT. HE WAS THE LEADER AND DID MOST OF THE TALKING. TEXACO REPORTS HE WAS VERY ADEPT AT SMOOTHING OVER DIFFERENCES.

B. BRUNO AMOUSSOU, DIRGEN OF THE BANQUE COMMERCIALE DU BENIN, THE ONLY OTHER MEMBER OF THE GPRB TEAM TO ENTER INTO THE NEGOTIATING PROCESS.

C. ALIDOU JACQUES KOUSSE, ACCOUNTANT AND PROFESSOR AT THE NATIONAL UNIV OF BENIN. SERVED AS THE EXPERT IN THE GROUP. WAS CONSULTED FOR FACTS AND FIGURES.

D. SAMUEL DOSSOU, CONSEILLER TECHNIQUE JURIDIQUE (LEGAL TECHNICAL ADVISOR) AT THE PRESIDENCY. ACTED AS CLERK AND  
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NOTE TAKER.  
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ACTION EB-07

INFO OCT-01 AF-06 ISO-00 SP-02 USIA-06 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

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P R 061100Z APR 76

FM AMEMBASSY COTONOU

TO SECSTATE WASHDC PRIORITY 8358

INFO AMEMBASSY ABIDJAN

C O N F I D E N T I A L SECTION 2 OF 2 COTONOU 0602

E. GEDEON DASSOUNDO, DIRGEN OF THE SOCIETE NATIONALE POUR L'INDUSTRIE DES CORPS GRAS (THE GOVT'S PALM OIL MARKETING COMPANY.)

F. JEAN-CLAUDE DOFONOU, DIR OF THE CAISSE AUTONOME D'AMORTISSEMENT (WHICH HANDLES PAYMENT OF FOREIGN DEBTS).

G. PAUL DOSSOU, DEP DIR OF THE BENIN DEVELOPMENT BANK. THE LAST THREE DID NOT CONTRIBUTE TO THE TALKS.

8. FYI; RENE THOMAS REPORTS THAT TEXACO HAS NEVER DONE AS WELL IN BENIN AS IT IS DOING NOW. AT THE TIME IT WAS NATIONALIZED, HE SAYS, THE COMPANY WAS OPERATING IN THE RED. NOW SALES TO SONACOP (THE STATE RUN PETROLEUM DISTRIBUTION COMPANY) OF LUBRICANTS AND FUEL OIL ARE UP. IN FACT IT IS SELLING MORE HERE THAN EVERY BEFORE. TEXAO IS PAID IN ADVANCE THROUGH IRRECOABLE LETTERS OF CREDIT. SONACOP IS NOW CONSIDERING NOT RENEWING THE TECHNICAL ASSISTANCE AGREEMENT IT HAS WITH SHELL AND INSTEAD SIGNING A CONTRACT WITH TEXACO. END FYI.

9. COMMENT: THIS IS THE FIRST GOOD NEWS WE HAVE HAD IN BENIN IN A LONG TIME. IN VEW OF HIS CLOSENESS TO THE PRESIDENT, WE SEE BABA-MOUSSA'S DIRECTION OF THE TALKS AS A CONFIDENTIAL

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GOOD SIGN OF COURSE THERE ARE NO POLITICALTYPES ON THE BENINESE TEAM AND ANY SETTLEMENT WILL PROABLY HAVE TO BE APPROVED BY THE COUNCIL OF MINISTERS. HOWEVER, AS BEST WE CAN DETERMINE, THE POLITICIANS HAVE NOT INTERFERRED WITH ANY NATIONALIZATION SETTLEMENTS REACHED WITH EUROPEAN COMPANIES UP TO NOW. ONE VERY IMPORTANT AREA NOT DISCUSSED AT THIS SESSION WAS A PAYMENT SCHEDULE. THIS COULD PROVE TO BE A STICKING POINT. END COMMENT

10. MOBIL REPS MEETING WITH BENINESE THIS MORNING, APRIL

6. THEY WILL REPORT RESULT TO EMBASSY THIS AFTERNOON. WILL  
REPORT AS SOON AS POSSIBLE.  
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## Message Attributes

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